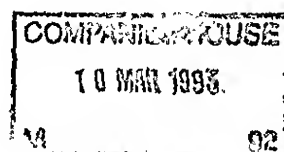


NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 1992

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

Registered Number: 2124389



NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 1992

The directors present their report on the affairs of the group together with the financial statements and auditors' report for the 6 month period ended 30 June 1992.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW:**

The principal activity of the group continues to be the ownership and management of the Turnberry Hotel and Golf Courses, and construction of a golf course in the South of England.

Since 1987 various capital improvements have been carried out at the hotel.

The construction of a new clubhouse at Turnberry continues and it is intended to complete this in early 1993.

**RESULTS AND DIVIDENDS:**

The turnover for the period was £2,000,893 (12 months to Dec 1991 - £4,491,675) and the loss on ordinary activities before taxation was £1,557,432 (12 months to Dec 1991 - loss £2,748,754). The directors recommend that the loss be transferred to reserves and that the accumulated deficit be carried forward.

No dividend is proposed (1991 - £NIL).

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS:

The directors of the company during the year were:

T. Niino  
A. McMillan  
H. Matsuura  
K. Nakamura  
Y. Matsuura  
T. Matsuura  
M. Kayanuma  
K. Ohtsuka

No director had a beneficial interest in the shares of the company or group at any time during the year.


FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 9 to the financial statements.

AUDITORS:

A resolution will be submitted at the Annual General Meeting proposing the re-appointment of Arthur Andersen, Chartered Accountants, as auditors for the ensuing year and authorising the Directors to fix their remuneration.

BY ORDER OF THE BOARD

  
T KOBAYASHI  
COMPANY SECRETARY

41 Vine Street  
London

4 December 1992

# ARTHUR ANDERSEN

Glasgow

## Auditors' Report to the Members of NITTO WORLD CO., LIMITED:

We have audited the financial statements on pages 4 to 25 in accordance with Auditing Standards.

The consolidated financial statements include the development of a golf course and clubhouse in Oxfordshire. Recovery of the development costs of the golf course, which at 30 June 1992 amounted to £12,009,131 is dependent upon, inter alia, adequate funding being available for the facilities to be completed and operated successfully. If such funding is not available, adjustments will be necessary to write down the value of the development to its recoverable amount and to provide for any additional liabilities which may arise. The funding of the development to date has been provided by loans from Nitto Kogyo Co., Limited and bank loans guaranteed by Nitto Kogyo Co., Limited which are not secured on the assets of the rest of the group.

In our opinion, subject to the effect of any adjustments which may be necessary to write down the investment in the golf course development and provide for any additional liabilities as may arise, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30 June 1992 and of the loss and cash flows of the group for the financial period then ended and have been properly prepared in accordance with the Companies Act 1985.

Without further qualifying our opinion, we draw attention to note 20, which outlines the impact of subsequent foreign exchange movements on the company and the group.

Chartered Accountants and Registered Auditor

4 December 1992



NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 JUNE 1992

	<u>Notes</u>	<u>6 months to 30 June 1992</u>	<u>12 months to 31 Dec 1991</u>
TURNOVER	1g)&2	£ 2,000,893	£ 4,491,675
Cost of sales		(1,536,208)	(2,755,149)
GROSS PROFIT		464,685	1,736,526
Other operating expenses (net)	3	(1,302,602)	(3,933,706)
OPERATING LOSS		(837,917)	(2,197,180)
Investment income	4	136,112	388,561
Interest payable and similar charges	5	(1,206,185)	(1,679,429)
Interest capitalised	5	350,558	739,294
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(1,557,432)	(2,748,754)
Tax on loss on ordinary activities	1i)&7	(3,117)	(5,964)
LOSS FOR THE FINANCIAL YEAR	17	£(1,560,549)	£(2,754,718)
LOSS FOR THE FINANCIAL YEAR			
The company		£(1,294,952)	£(2,828,538)
Subsidiary undertaking		(265,597)	73,820
		£(1,560,549)	£(2,754,718)

The accompanying notes are an integral part of this profit and loss account.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET -- 30 JUNE 1992

	<u>Notes</u>	<u>1992</u>	<u>1991</u>
<b>FIXED ASSETS</b>			
Tangible assets	1c)&9	£41,591,817	£37,062,162
		-----	-----
<b>CURRENT ASSETS</b>			
Stocks	1e)&11	207,283	224,333
Debtors	12	2,595,513	2,631,298
Cash at bank and in hand		1,425,908	694,475
		-----	-----
		4,228,704	3,550,106
<b>CREDITORS: Amounts falling due within one year</b>	13	(6,244,988)	(5,197,137)
		-----	-----
<b>NET CURRENT LIABILITIES</b>		(2,016,284)	(1,647,031)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		39,575,533	35,415,131
<b>CREDITORS: Amounts falling due after more than one year</b>	14	(35,048,632)	(29,328,031)
		-----	-----
<b>NET ASSETS</b>		£ 4,526,901	£ 6,087,100
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	16	£ 8,800,000	£ 8,800,000
Profit and loss account	17	(4,273,449)	(2,712,900)
		-----	-----
<b>SHAREHOLDERS FUNDS</b>		£ 4,526,551	£ 6,087,100
<b>MINORITY INTERESTS</b>		350	-
		-----	-----
<b>TOTAL CAPITAL EMPLOYED</b>		£ 4,526,901	£ 6,087,100
		=====	=====

SIGNED ON BEHALF OF THE BOARD ON 4 DECEMBER 1992

  
H. MATSUURA, Director

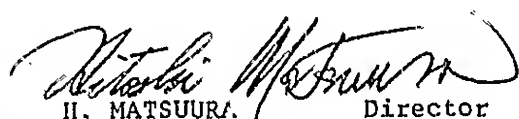
The accompanying notes are an integral part of this balance sheet.

NITTO WORLD CO., LIMITED

COMPANY ONLY BALANCE SHEET -- 30 JUNE 1992

	<u>Notes</u>	<u>6 months to 30 June 1992</u>	<u>12 months to 31 Dec 1991</u>
FIXED ASSETS			
Tangible assets	1c)&9	£29,582,686	£27,968,890
Investment	1d)&10	652	2
		-----	-----
		29,583,338	27,968,892
CURRENT ASSETS			
Stocks	1e)&11	207,283	224,333
Debtors	12	2,165,516	2,127,318
Cash at bank and in hand		1,030,697	370,974
		-----	-----
		3,403,496	2,722,625
CREDITORS: Amounts falling due within one year	13	(2,910,228)	(2,257,780)
		-----	-----
NET CURRENT ASSETS/(LIABILITIES)		493,268	464,845
TOTAL ASSETS LESS CURRENT LIABILITIES		30,076,606	28,433,737
CREDITORS: Amounts falling due after more than one year	14	(25,351,590)	(22,413,769)
		-----	-----
NET ASSETS		£ 4,725,016	£ 6,019,968
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	16	£ 8,800,000	£ 8,800,000
Profit and loss account	17	(4,074,984)	(2,780,032)
		-----	-----
TOTAL CAPITAL EMPLOYED		£ 4,725,016	£ 6,019,968
		=====	=====

SIGNED ON BEHALF OF THE BOARD ON 4 DECEMBER 1992

  
H. MATSUURA. Director

The accompanying notes are an integral part of this balance sheet.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 1992

	<u>Notes</u>	<u>6 months to 30 June 1992</u>	<u>12 months to 31 Dec 1991</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	18a)	£ (341,363)	£(803,288)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		88,685	322,258
Interest paid		(1,034,941)	(1,045,883)
		-----	-----
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(946,256)	(723,625)
TAXATION			
Overseas tax paid		(3,117)	(5,964)
		-----	-----
TAX PAID		(3,117)	(5,964)
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(3,535,216)	(12,377,194)
		-----	-----
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,535,216)	(12,377,194)
		-----	-----
NET CASH (OUTFLOW) BEFORE FINANCING		(4,825,952)	(13,910,071)
FINANCING	18d)		
Increase in long-term intercompany loans		3,400,000	4,365,898
Increase in long-term bank loans		2,172,777	9,546,833
Capital element of finance lease payments		(15,742)	98,647
Introduction of minority interest		350	-
		-----	-----
NET CASH INFLOW FROM FINANCING		5,557,385	14,011,378
		-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	18c)	£ 731,433	£ 101,307
		=====	=====

The accompanying notes are an integral part of this cash flow statement.



NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992

1. STATEMENT OF ACCOUNTING POLICIES:

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its wholly owned subsidiary undertakings, whose accounting periods are coterminous with that of the parent company. No profit and loss account is presented for Nitto World Co., Limited as provided by s230 of the Companies Act 1985.

c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation as set out in note 9. Cost includes incidental acquisition expenses and interest incurred on projects during the period of development. Interest is capitalised gross, before deduction of related tax relief.

No depreciation is provided on freehold buildings (except where otherwise stated) as the directors are of the opinion that the length of lives and residual values of these buildings are such that no provision for depreciation is required. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis using the following annual rates which are based on the expected useful economic lives of the assets:

Buildings	- 2%
Motor vehicles	- 25%
Plant and equipment	- 10% to 50%
Fixtures and fittings	- 20%

d) Investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for temporary fluctuations in value if material. Income is included in the consolidated accounts of the year in which it is receivable.

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED):

f) Foreign currency

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in sterling at exchange rates as of the date of the transaction or the average exchange rate for the year. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover is stated at the invoiced value of goods and services provided, exclusive of VAT and net of discounts granted.

h) Leases

The company enters into operating and finance leases as described in note 19.

Assets acquired under finance leases are initially reported at the fair value of the asset with an equivalent obligation categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Obligations related to finance leases represent the total of the minimum lease payments outstanding at the date of the balance sheet. Future finance charges are not included. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the year and future commitments is given in note 19.

i) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated on the liability method.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED):

i) Taxation (continued)

Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

j) Pension contributions

The group operates a defined benefits pension scheme. Pension contributions are charged to the profit and loss account on the basis of spreading the cost of providing pensions over the period of employees' services to the company. Further information on pension costs is provided in note 19.

2. SEGMENT INFORMATION:

The group turnover is derived entirely from the Turnberry Hotel and Golf Courses in Scotland.

3. OTHER OPERATING EXPENSES:

	6 months to 30 June 1992	12 months to 31 Dec 1991
Selling and marketing costs	£ 251,867	£ 507,771
Administrative expenses	1,694,771	1,806,296
Other Income	(17,876)	-
(Gain)/loss on exchange movements	(626,160)	1,619,639
	-----	-----
	£1,302,602	£3,933,706
	=====	=====

4. INVESTMENT INCOME:

	6 months to 30 June 1992	12 months to 31 Dec 1991
Investment income comprises:		
Interest receivable	£ 136,112	£ 388,561
	=====	=====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

5. INTEREST PAYABLE AND SIMILAR CHARGES:	6 months to 30 June 1992	12 months to 31 Dec 1991
On loan from parent company:		
- repayable within five years, not by instalments	£ 359,386	£ 273,131
On bank loans:		
- repayable within 5 years, not by instalments	846,799	1,406,298
	-----	-----
	£1,206,185	£1,679,429
	=====	=====

Included above is interest arising on development projects of £350,558 (1991 - £739,294) which has been capitalised and transferred to land and buildings.

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit/(loss) on ordinary activities before taxation for the period is stated after charging/(crediting):

	6 months to 30 June 1992	12 months to 31 Dec 1991
a) Depreciation	£ 227,574	£ 309,060
b) Auditors' remuneration	28,000	26,000
c) Staff costs (Note 8)	1,281,293	2,204,083
d) Hire of plant and machinery		
- under operating leases	36,765	71,685
e) Other operating lease rentals	11,000	5,500
f) Exceptional item		
- exchange (gain)/loss arising principally on the translation of bank loans denominated in foreign currencies	(626,160)	1,619,639
	=====	=====

Fees paid to the auditor for non audit services provided during the period amounted to £97,100.

7. TAXATION:

	6 months to 30 June 1992	12 months to 31 Dec 1991
The tax charge comprises:		
Overseas withholding tax	£ 3,177	£ 5,964
	=====	=====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

8. STAFF COSTS:

Particulars of employees are as shown below:

	<u>6 months to</u> <u>30 June 1992</u>	<u>12 months to</u> <u>31 Dec 1991</u>
Employee costs during the period amounted to:		
Wages and salaries	£1,070,139	£1,841,286
Social security costs	85,654	149,600
Other pension costs	43,900	68,931
Other employee related costs	81,600	144,266
	-----	-----
	£1,281,293	£2,204,083
	=====	=====

The average weekly number of persons employed by the group during the period was as follows:

	<u>1992</u> <u>Number</u>	<u>1991</u> <u>Number</u>
Office and management	218	195
Casual	37	31
	-----	-----
	255	226
	=====	=====

Directors' remuneration:

Directors' remuneration was paid in respect of the highest paid director of the company as follows:

	<u>6 months to</u> <u>30 June 1992</u>	<u>12 months to</u> <u>31 Dec 1991</u>
Fees	£ 30,801	£ -
	=====	=====

Part of this remuneration was paid by the ultimate holding company who have borne the expense. The Chairman performed his duties in Japan and was remunerated by the ultimate holding company.

Directors received emoluments (excluding pensions and pension contributions in the following ranges:

	<u>6 months to</u> <u>30 June 1992</u>	<u>12 months to</u> <u>31 Dec 1991</u>
Up to £5,000	6	7
£25,001 - £30,000	1	0
£30,001 - £35,000	1	0
£60,001 - £65,000	0	1
	==	==

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

9. TANGIBLE FIXED ASSETS:

The following are included in the net book value of tangible fixed assets:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Freehold land and buildings	£39,608,268	£35,268,307	£27,797,627	£26,240,329
Plant and equipment	1,946,563	1,762,126	1,785,059	1,728,561
Fixtures and fittings	36,986	31,729	-	-
	-----	-----	-----	-----
Net tangible fixed assets	£41,591,817	£37,062,162	£29,582,686	£27,968,890
	=====	=====	=====	=====

The movement in the period was as follows:

<u>Group</u>	<u>Freehold Land and Buildings</u>	<u>Plant &amp; Equipment</u>	<u>Fixtures &amp; Fittings</u>	<u>Total</u>
<b>COST:</b>				
Beginning of period	£35,276,706	£ 2,957,016	£ 37,401	£38,271,123
Additions	4,343,127	404,482	9,620	4,757,229
Disposals	-	-	-	-
	-----	-----	-----	-----
End of period	39,619,833	3,361,498	47,021	43,028,352
	-----	-----	-----	-----
<b>DEPRECIATION:</b>				
Beginning of period	8,399	1,194,890	5,672	1,208,961
Charge	3,166	220,045	4,363	227,574
Disposals	-	-	-	-
	-----	-----	-----	-----
End of period	11,565	1,414,935	10,035	1,436,535
	-----	-----	-----	-----
<b>NET BOOK VALUE,</b>				
end of period	£39,608,268	£ 1,946,563	£ 36,986	£41,591,817
	=====	=====	=====	=====
<b>NET BOOK VALUE,</b>				
beginning of period	£35,268,307	£ 1,762,126	£ 31,729	£37,062,162
	=====	=====	=====	=====

Plant and equipment includes £85,013 (1991 - £109,906) of assets at net book value held under finance leases.

Additions to freehold land and buildings include interest capitalised for the period amounting to £350,558 (1991 - £739,294) on capital borrowed to finance construction projects. Cumulative interest capitalised within freehold land and buildings amounts to £1,214,305 (1991 - £863,747).

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

9. TANGIBLE FIXED ASSETS (CONTINUED):

The movement in the period was as follows:

<u>Company</u>	<u>Freehold Land and Buildings</u>	<u>Plant &amp; Equipment</u>	<u>Total</u>
<b>COST:</b>			
Beginning of period	£26,240,329	£ 2,915,765	£29,156,094
Additions	1,557,298	267,651	1,824,949
Disposals	-	-	-
	-----	-----	-----
End of period	27,797,627	3,183,416	30,981,043
	-----	-----	-----
<b>DEPRECIATION:</b>			
Beginning of period	-	1,187,204	1,187,204
Charge	-	211,153	211,153
Disposals	-	-	-
	-----	-----	-----
End of period	-	1,398,357	1,398,357
	-----	-----	-----
<b>NET BOOK VALUE, end of period</b>	<b>£27,797,627</b>	<b>£ 1,785,059</b>	<b>£29,582,686</b>
	=====	=====	=====
<b>NET BOOK VALUE, beginning of period</b>	<b>£26,240,329</b>	<b>£ 1,728,561</b>	<b>£27,968,890</b>
	=====	=====	=====

Plant and equipment includes £77,187 (1991 - £101,533) of assets at net book value held under finance leases.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

10. FIXED ASSET INVESTMENTS:

The following are included in the companies net book value of fixed asset investments:

	<u>COMPANY</u> <u>1992</u>	<u>COMPANY</u> <u>1991</u>
Subsidiary undertaking	£ 652 =====	£ 2 =====

The parent company and its subsidiaries has an investment in the following subsidiary undertakings:

	<u>Country of</u> <u>registration</u>	<u>Principal</u> <u>activity &amp;</u> <u>country of</u> <u>operation</u>	<u>Description</u> <u>&amp; proportion</u> <u>of shares</u> <u>held</u>
Nitto (Oxfordshire) Limited formerly Nitto Albion Company Limited	England	Non-trading (formerly golf course construction in England)	100% ordinary share capital
Calveraction plc	England	Non-trading	100% ordinary share capital
Nitto Albion plc formerly Masonscan Limited	England	Golf course construction in England	100% ordinary share capital
Nitto-Alfred McAlpine Limited	England	Management of golf course being constructed in England	65% ordinary share capital

On 28 February 1992 a subsidiary company, Nitto Albion Company Limited, acquired all of the ordinary £1 shares in Calveraction Limited. The consideration given was £2 with a fair value of £2. On 19 June 1992, Calveraction Limited increased its share capital to 50,000 ordinary shares of £1 each all of which were purchased by Nitto Albion Company Limited.

On 23 June 1992, Nitto Albion Company Limited acquired all of the ordinary £1 shares in Masonscan Limited. The consideration was £2 with a fair value of £2.

On 23 June 1992 the subsidiary company, Nitto Albion Company Limited, changed its name to Nitto (Oxfordshire) Limited.

On 30 June 1992 Calveraction Limited re-registered as Calveraction plc.



NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS  
NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

10. FIXED ASSET INVESTMENTS (Continued):

Masoncan Limited was non-trading at 30 June 1992 but its principal activity is now the construction of a championship standard golf course and clubhouse in the South of England (see note 20). On 30 July 1992 Masoncan Limited changed its name to Nitto Albion Limited and subsequently re-registered as a public limited company on 3 September 1992.

During the period the company acquired 650 of the 1000 ordinary £1 shares of Nitto-Alfred McAlpine. The consideration given was £650 cash with a fair value of £650.

	<u>COMPANY</u> <u>1992</u>	<u>COMPANY</u> <u>1991</u>
Investment in subsidiary undertakings		
Cost:		
Beginning of period		
Additions	£ 2 650	£ 2 -
End of period	----- £ 652 =====	----- £ 2 =====
Net book value	£ 652 =====	£ 2 =====

11. STOCKS:

The following are included in stocks:

	<u>GROUP AND COMPANY</u> <u>1992</u>	<u>1991</u>
Glass, crockery and silverware	£ 90,072	£ 99,474
Food and beverage	93,822	105,789
Other	23,389	19,070
	----- £ 207,283 =====	----- £ 224,333 =====

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

12. DEBTORS:

The following are included in debtors:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Amounts falling due within one year:				
Trade debtors	£ 359,985	£ 274,540	£ 359,985	£ 274,540
Prepayments and accrued income	168,613	165,496	168,210	163,862
VAT	552,222	746,616	129,954	258,574
Amounts due from other group undertakings	258,545	161,073	256,541	154,439
Other debtors	8,962	1,670	6,640	-
	-----	-----	-----	-----
	1,348,327	1,349,395	921,330	851,415
	-----	-----	-----	-----
Amounts falling due after more than one year:				
Amounts due from other group undertakings	1,244,186	1,275,903	1,244,186	1,275,903
Other debtors	3,000	6,000	-	-
	-----	-----	-----	-----
	£2,595,513	£2,631,298	£2,165,516	£2,127,318
	=====	=====	=====	=====

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Trade creditors	£1,576,764	£ 171,314	£ 538,111	£ 151,086
Amounts due to group undertakings	2,101,523	3,795,932	1,361,151	1,114,462
Current portion of finance lease obligations	28,415	28,106	26,310	26,014
Accruals and deferred income	1,221,217	1,143,140	929,457	912,725
Other creditors:				
- social security and PAYE	65,766	58,645	54,321	53,493
Bank loans	1,251,303	-	-	-
	-----	-----	-----	-----
	£6,244,988	£5,197,137	£2,910,228	£2,257,790
	=====	=====	=====	=====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amounts are included in creditors falling due after more than one year:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Loans due to group undertakings (see below)	£11,260,467	£ 5,783,061	£ 7,407,887	£ 4,007,887
Bank loan (see below)	23,733,056	23,474,429	17,893,640	18,341,617
Obligations under finance leases (see below)	55,109	70,541	50,063	64,265
	-----	-----	-----	-----
	£35,048,632	£29,328,031	£25,351,590	£22,413,769
	=====	=====	=====	=====

Loans due to group undertakings comprises of numerous loans, on which, interest is charged at 7.125% per annum.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED):

Bank loans, all of which are denominated in Japanese Yen, are as follows:

	<u>1992</u>	<u>GROUP</u> <u>1991</u>	<u>1992</u>	<u>COMPANY</u> <u>1991</u>
6.25% unsecured loan repayable in May 1994	£ 5,005,214	£ 5,130,000	£ 5,005,214	£ 5,130,000
7.2% unsecured loan repayable in July 1994	5,005,214	5,132,811	5,005,214	5,132,811
7.6% unsecured loan repayable in June 1995	1,042,753	1,069,335	1,042,753	1,069,335
8.9% unsecured loan repayable in June 1995	1,042,753	1,069,335	1,042,753	1,069,335
7.85% unsecured loan repayable in April 1996	1,626,694	1,670,000	1,626,694	1,670,000
7.9% unsecured loan repayable in January 1996	2,502,607	2,566,405	2,502,607	2,566,405
7.9% unsecured loan repayable in February 1996	1,668,405	1,703,731	1,668,405	1,703,731
8.2% unsecured loan repayable in August 1996	1,251,303	1,283,203	-	-
7.67% unsecured loan repayable in August 1996	1,251,303	1,283,203	-	-
6.8125% unsecured loan repayable in August 1996	1,251,303	1,283,203	-	-
6.8125% unsecured loan repayable in October 1996	1,251,303	1,283,203	-	-
5.1% unsecured loan repayable in December 1993	834,204	-	-	-
	-----	-----	-----	-----
	£23,733,056	£23,474,429	£17,893,640	£18,341,617
	=====	=====	=====	=====

The above loans are guaranteed by the ultimate parent company, Nitto Kogyo Co., Limited.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED):

Analysis of borrowings:

	<u>1992</u>	<u>GROUP</u> <u>1991</u>	<u>1992</u>	<u>COMPANY</u> <u>1991</u>
Borrowings are repayable as follows:				
Due within five years:				
- within 1 year				
- group undertakings	£ 157,563	£ 2,247,240	£ -	£ -
- bank	1,251,303	-	-	-
- finance leases	28,415	28,106	26,310	26,014
- within 1-2 years				
- group undertakings	-	-	-	-
- bank	5,005,214	-	5,005,214	-
- finance leases	28,415	28,106	26,310	26,014
- within 2-5 years				
- group undertakings	3,052,580	1,775,174	-	-
- bank	18,727,842	23,474,429	12,888,426	18,341,617
- finance leases	26,694	42,435	23,753	38,251
	-----	-----	-----	-----
	28,278,026	27,595,490	17,970,013	18,431,896
Due otherwise than by instalments after five years				
- group undertakings	8,207,887	4,007,887	7,407,887	4,007,887
	-----	-----	-----	-----
Total Borrowings	£36,485,913	£31,603,377	£25,377,900	£22,439,783
	=====	=====	=====	=====

Amounts payable within one year are included in creditors falling due within one year.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

15. DEFERRED TAXATION:

No deferred taxation has been provided by the group and company at 31 December 1991 (1990 - Nil) because the directors have concluded, on the basis of reasonable assumptions and the intentions of management that it is improbable that any liability will crystallise due to significant brought forward tax losses.

16. CALLED-UP SHARE CAPITAL:	<u>1992</u>	<u>1991</u>
Authorised:		
96,800 ordinary shares of £100 each	£9,680,000 =====	£9,680,000 =====
Allotted, called-up and fully-paid:		
88,000 ordinary shares of £100 each	£8,800,000 =====	£8,800,000 =====

17. RESERVES:

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	<u>1992</u>	<u>GROUP</u> <u>1991</u>	<u>1992</u>	<u>COMPANY</u> <u>1991</u>
NON-DISTRIBUTABLE:				
Profit and loss account deficit				
BEGINNING OF YEAR	£2,712,900	£ (41,818)	£2,780,032	£ (48,506)
Loss for the year	1,560,549	2,754,718	1,294,952	2,828,538
END OF YEAR	£4,273,499 =====	£2,712,900 =====	£4,074,984 =====	£2,780,032 =====

18. CONSOLIDATED CASH FLOW STATEMENT - SUPPORTING ANALYSES:

a) <u>Reconciliation of operating profit to net cash inflow from operating activities</u>	<u>1992</u>	<u>1991</u>
Operating loss	£ (837,917)	£(2,197,180)
Depreciation charges	227,574	309,060
Unrealised (gain)/loss on exchange	(670,119)	1,482,455
Gain on sale of tangible fixed assets	-	8,847
Decrease/(increase) in stock	17,050	(43,395)
Decrease/(increase) in debtors	83,214	(713,759)
Increase/(decrease) in creditors (excluding taxation, bank loans and overdrafts)	838,835	350,684
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	£ (341,363) =====	£ (803,288) =====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

18. CONSOLIDATED CASH FLOW STATEMENT - SUPPORTING ANALYSES (CONTINUED):

b) Analysis of changes in cash and cash equivalents during the period

	<u>1992</u>	<u>1991</u>
Balance at beginning of period	£ 694,475	£ 593,168
Net cash inflow	731,433	101,307
	-----	-----
Balance at end of period	£ 1,425,908	£ 694,475
	=====	=====

c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>1992</u>	<u>1991</u>	<u>Change in Period</u>
Cash at bank and in hand	£ 1,425,908	£ 694,475	£ 731,433
	=====	=====	=====

d) Analysis of changes in financing during the period

	<u>Other Group Undertakings Long-term loan</u>	
	<u>1992</u>	<u>1991</u>
Balance at beginning of period	£ 8,025,302	£ 3,688,117
New loans	3,400,000	4,365,898
Effect of foreign exchange rate changes	(7,272)	(28,713)
	-----	-----
Balance at end of period	£11,418,030	£ 8,025,302
	=====	=====

	<u>Bank Loans</u>	
	<u>1992</u>	<u>1991</u>
Balance at beginning of period	£23,474,429	£12,416,428
New loans	2,172,777	10,890,403
Loans repaid	-	(1,343,570)
Effect of foreign exchange rate changes	(662,847)	1,511,168
	-----	-----
Balance at end of period	£24,984,359	£23,474,429
	=====	=====

	<u>Finance Leases</u>	
	<u>1992</u>	<u>1991</u>
Balance at beginning of period	£ 98,647	£ -
New finance lease obligations	-	108,743
Repayment of lease obligations	(15,742)	(10,096)
	-----	-----
Balance at end of period	£ 82,905	£ 98,647
	=====	=====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments:

At the end of the period, capital commitments were:

		<u>GROUP</u>		<u>COMPANY</u>	
		<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Contracted for but not provided for	£ 7,668,108	£11,462,642		£ 5,089,126	£ 7,362,642
Authorised but not contracted for	3,647,889	2,000,000		-	-
	-----	-----		-----	-----
	£11,315,997	£13,462,642		£ 5,089,126	£ 7,362,642
	=====	=====		=====	=====

b) Lease commitments:

The group has entered into non-cancellable leases in respect of property, plant and equipment, the payments for which extend over a period of up to 8 years. The total rental for the period was £47,765 (12 months to 31 December 1991 - £29,421).

The minimum annual rentals under the foregoing leases are as follows:

		<u>GROUP</u>		<u>COMPANY</u>	
		<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Operating leases which expire					
- within 1 year	£ 51,139	£ 29,334		£ 51,139	£ 29,334
- within 2-5 years	40,120	82,853		18,120	59,853
- after 5 years	6,205	3,118		6,205	3,118
	-----	-----		-----	-----
	£ 97,464	£ 115,305		£ 75,464	£ 92,305
	=====	=====		=====	=====

c) Pension arrangements:

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the parent company, being invested by independent fund managers.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the parent company. The contributions are determined by a qualified actuary on the basis of valuations using the attained age method.

The most recent valuation was as at 1 January 1991. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 6% per annum.



NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED):

c) Pension arrangements (continued):

The pension charge for the period was £43,900 (12 months to Dec 1991 - £91,100). This included a credit of £4,700 (12 months to Dec 1991 - £5,300) in respect of the amortisation of experience surpluses that are being recognised over 10 years, the average remaining service lives of employees.

The most recent actuarial valuation showed that the market value of the scheme's assets was £578,072 and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees has been 13% and 7.2% respectively from 1 January 1991.

20. SUBSEQUENT EVENTS:

a) Exchange rate fluctuations

Due to the fluctuations in the foreign exchange markets the amount owed in respect of Yen denominated bank loans and amounts due in respect of Yen denominated intercompany loans have altered significantly. Subsequent to year end an exchange loss of £4.5m approximately on the Yen denominated loans has arisen in the company and a £6.5m loss has arisen in the group.

Due to this exchange rate movement the company and group are as at 10 November 1992 technically insolvent. As a result the parent company has confirmed in a letter to the directors of the company that it will not demand any repayment of loans and interest due to the parent until such time as the group and company returns to solvency.

b) Sale of assets

On 31 July 1992, the assets and certain liabilities of the subsidiary, Nitto (Oxfordshire) Limited were sold to another subsidiary, Nitto Albion plc (formerly Masonscan Limited). This involved Nitto Albion Limited in acquiring the golf course under development and related financing liabilities.

c) Debenture issue

On 1 October 1992 Nitto Albion plc issued a prospectus offer for the subscription of debentures in Nitto Albion plc by applicants for membership of The Oxfordshire Golf Club. The purpose of this debenture issue is to secure the long term financing of the golf course development and to attract club members.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1992 (CONTINUED)

21. ULTIMATE PARENT COMPANY:

The ultimate parent company is Nitto Kogyo Co., Limited, a company incorporated in Japan.

The smallest and largest group in which the results of Nitto World Co. Limited are also consolidated, is that headed by Nitto Kogyo Co. Limited. The consolidated accounts of this group are not available to the public.

FIELD · FISHER · WATERHOUSE

11 VINE STREET LONDON EC3N 2AA  
TEL (071) 461 1311 TX 262013 ADIDEM G FAX (071) 463 0031 CDE 623

YOUR REFERENCE

IN REPLY QUOTE NPT/NT/RA.0765

8 March 1993

Companies Administration Section  
P O Box 711  
Companies House  
Crown Way  
Cardiff CF4 3YA

Dear Sirs

Re: Nitto World Co. Limited  
Company No. 2124389

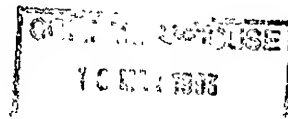
We enclose herewith the financial statements for the above Company for the period ended 30th June 1992.

By way of acknowledgement of receipt please return the enclosed copy of this letter duly stamped.

Yours faithfully

  
FIELD FISHER WATERHOUSE

Enc.



D G. Rawlin	J.R. Eady	S.G. Gibbs	G.M. Bond	M.J. Wright	P.J. Stewart	G.J. Nuttall	C.E. Pinfold	S. Lother
A.P.P. Honigsmann	P.B. Hayes	A.M. Fisher	P.E. Scanlon	G. Richmond	A.T.H. Rider	L.S. Blackshaw	I.S. Barnard	N.C. Beecham
J.A. Nelson-Jones	C. McArthur	M.N. Iod	R.S. Bagehot	R.M. Walls	P.M. Abell	A.M. McLaren	M.L.L. Tompkins	A.D. Janik
D.K. Girdler	J.R.S. Price	J.K. Hile	D.M. Lowe	N.R. Noble	M.G. MacKenzie	A.G. Little	G.S. McGuinness	J.M. Barrett
J.A. Wilson	P.G. Glaphook	F.H. Goffell	B.M. Nelson-Jones	T.J. Davies	N.P. Rose	P.A. Sykes		